

SOCIAL SECURITY PRIVATIZATION SOME POINTS TO PONDER

- Social Security was never meant to be an elaborate investment scheme geared to maximize returns, but a simple, straightforward social insurance program through which all Americans strive to see to it that none of us spends our golden years destitute.
- Before the institution of Social Security in 1935 (following the stock market crash) over half of the elderly lived in poverty, Today only 10% of seniors fall below the poverty line. (FYI: 14% or one out of eight Americans now live in poverty -- one out of five children)
- Privatization investment in Wall Street would have limited choices which they would select. You could not just invest in any stock.
- Privatization relies on the Stock Market and run not on a low cost margin but for-profit by Wall Streeters who could offer us the opportunities to invest our money in Enrons or World Coms which looked great for a time and then failed miserably.
- Current costs for administering Social Security is a mere 0.6% of annual benefits compared to private pension plans who siphon 15 to 20% of benefits into corporate overhead.
- We would bear the failure. If it won't fail, then let the government invest the money and do away with fund handlers. (In Sweden which tried a type of privatization the government default did better than the other choices people could make, which LOST money.)
- Bush's plan is still undefined. Would employers still match 6%?
- What happens if somebody goes bust?
- Social Security privatization threatens the elderly while tax cuts are being given the super wealthy.
- The middle class is shrinking while the rich are getting richer.
- Back in 1978, George W. Bush predicted Social Security would go broke in ten years.
- In 2018 the amount of money being paid out to retirees will begin to exceed the amount being collected at that time in Social Security taxes. A crisis? No. The system has slipped into such a temporary deficit several times -- and each time the fund's trustees dipped into the surplus.
- Since 1983 in anticipation of baby boomers retiring more money has been taken from our checks for Social Security. This excess was to be put in government bonds. (\$150 billion will be stored away this year alone and by 2018 there should be \$5 trillion in assets.) Where is our money? Why is the government intent on defaulting on these government bonds while they give tax breaks to the wealthy?
- By minor tweaks in financing the program, we can avoid the deficit of 2018.
- Even if no adjustment is made Social security is so sound it could guarantee that every retiree continue to receive full benefits at least until 2042 (the nonpartisan Congressional Budget Office says until 2052).
- If Congress does nothing at all to adjust financing, the trust fund will still be taking in enough money in payroll taxes to pay 80% of currently scheduled benefits -- at least until 2075.
- The current administration tells us that past presidents have taken the trust fund's cash, spent it, and left the fund with nothing but a bunch of "worthless IOUs" -- US treasury bonds -- still highly valued. Why should the government default on THESE bonds payable to seniors?

- To allow workers to divert 4% of their wages into private accounts means a 32% reduction in payments going into the trust fund -- a one-third cut that would undermine the program's financing and force a huge cut in benefits (since much of the money taken in is used to pay current retirees.)
- To institute privatization, the government would have to spend money -- an estimated \$2 trillion for the first decade, \$3 trillion in decade two, \$5 trillion in decade three, \$5 trillion in decade four -- that is debt plus interest, borrowed from foreign countries such as China and Japan.
- At retirement any money invested would buy the retiree an annuity. Any money left from the annuity would not be passed on to heirs.
- The stock market has fallen. Wall Street sees Social Security funds as a boon to shore it up. Bush's handpicked Social Security "reform" commission admitted that the administrative costs of a privatized system will run 10 to 30 times more than our present system -- and these fees will eat up most of the so called profits.
- Guaranteed benefits will still be cut under Bush's plan. Today's 30 year olds who'll retire in 2042 will be cut by more than 25%. By 2075, retirees will have their Social Security program cut almost in half.
- The bulge in retirement caused by the baby boomers raises the same problem to the stock market. Retirees selling stocks to live on creates a glut on the stock market and a plunge in stock prices. [This relates to another issue: wealth in companies are held to increase stock prices rather than distributed as dividends.] The argument on the other side is that the globalization of the market will produce international buyers of the stock -- but where does the pyramid end?
- Is it true that Social Security is in crisis? Is bankrupt? Is collapsing?
The answer is a resounding NO. According to the most conservative estimates, Social Security will be able to pay full benefits for 38 years. In other words, a 37-year-old worker today will get full benefits until he or she is 75 years old if we do nothing to make adjustments to the Trust Fund. A 47-year old worker today will get full benefits until he or she is 85 years old if nothing is done.
So clearly, Social Security is not in crisis, is not bankrupt, and is not collapsing. [Senator Barbara Boxer, see <http://boxer.senate.gov/issues/socsec.cfm>]
- Let's tweak Social Security -- not smash it.

More info: See special SOCIAL SECURITY INFO section for links at <http://wqidc.org>

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